



Los Angeles County
Board of Supervisors

Gloria Molina
First District

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

Bruce A. Chernof, MD
Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

William Loos, MD
Acting Senior Medical Officer

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

*To improve health
through leadership,
service and education*



www.ladhs.org

June 30, 2006

TO: Each Supervisor

FROM: Bruce A. Chernof, M.D. 
Director and Chief Medical Officer

SUBJECT: **STATUS OF THE PATIENT MANAGEMENT SYSTEM
REPLACEMENT**

As instructed by the Board on December 6, 2005, the Department of Health Services (DHS), through its Office of Managed Care (OMC)/Community Health Plan (CHP, aka "Plan"), is to provide a status report every (6) months regarding the procurement of a replacement system for CHP's Patient Management System (PMS). This is to provide you with the first status report.

BACKGROUND

OMC is responsible for administering CHP, a Knox-Keene licensed health maintenance organization. CHP product lines include: 1) Medi-Cal Managed Care Program, 2) Healthy Families Program, 3) PASC-SEIU Homecare Workers Health Care Plan (aka In-Home Supportive Services Program), 4) County Temporary Employees, 5) Consolidated Ombudsman Budget Reconciliation Act (COBRA), and 6) Individual Conversion Plan. As of June 1, 2006, CHP's total enrollment was approximately 158,000.

PMS is the transaction processing system used by CHP primarily for eligibility verification and claims processing. Consequently, the lack of functionality in PMS prompted a number of labor-intensive processes, manual interventions, and development of multiple ancillary database applications to meet the business and operational needs of the organization. With the growing needs and demands of the consumer and the increasing regulatory requirements of healthcare, it is imperative to implement an integrated core administrative health care payer solution to increase quality of care, ensure timely and accurate distribution of information, and reduce duplication of effort through efficient and effective health information technology.

In addition, based on studies conducted by Outlook Associates, Inc. in February 2002, Milliman, Inc. in July 2003, and Simpson & Simpson's annual independent audit reports in February 2005 and December 2005, the studies indicated CHP lacked the infrastructure to effectively manage the lives enrolled with the Plan, including limitations and deficiencies with its information systems. Along with the aforementioned studies, in June 2005, the Joint Audit Committee expressed support for replacing PMS with a managed care system solution to meet the needs of the Plan.

The strategic direction for the integrated system solution is to acquire services from a qualified Application Service Provider (ASP). ASPs are vendors that provide application hosting services which includes the hardware, software, and in some scenarios, networking infrastructure to enable the organization to run standardized applications over a secured virtual network.

ACTIVITIES

The following is the status of activities during the first six (6) months of 2006:

- In February 2006, Gartner, Inc. (Gartner) provided information on the top health care payer systems, which are: 1) Amisys, 2) DST, 3) EDS, 4) Perot, 5) QCSI, and 6) Trizetto. Payer systems sized for CHP, a medium-sized health plan, are: 1) Amisys, 2) DST, and 3) QCSI. Contingent upon complexity and existing resources available, estimated one-time costs for implementation is \$3 million and on-going annual maintenance is \$1 million.
- In April 2006, developed draft Statement of Work to obtain services from a consultant to provide research, analysis, recommendations, development/review of specification and requirement documents (e.g., Request for Proposals, Request for Bids), development/review of evaluation tool for vendor responses and vendor selection criteria, and development/review of agreement.
- In May 2006, submitted to DHS Information Resource Management for technical review a draft Request for Proposal to acquire services from a qualified, fully-integrated healthcare payer system vendor to support the growing regulatory, reporting, and business needs of CHP.

NEXT STEPS

The next steps are to:

- Acquire consulting services by October 2006 to provide expertise in the research, analysis, development/review of specification and requirement documents, and development/review of agreement.
- Identify and contact other Counties similar to the dynamics of Los Angeles County and CHP; conduct field trips by October 2006 to review their systems and processes and share 'lessons learned' through their implementation activities, including best practices.
- Finalize and release the Request for Proposal by April 2007 to acquire services from a qualified ASP to meet the regulatory, reporting, and business needs of CHP.
- Review vendor proposals and select vendor by August 2007.
- Develop and execute contract by April 2008.
- Configure application software and develop procedures by October 2008.
- Complete data conversion, parallel testing, and acceptance testing by September 2009.
- Train staff and conduct system cut-over by December 2009.

Please let me know if you have any questions, or require additional information.

BAC:kc
606:012

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
John Cochran
Cara O' Neill
Dave Beck